

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

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March 16, 2022

Agenda ID #20456
Ratesetting**TO PARTIES OF RECORD IN APPLICATION 21-03-008:**

This is the proposed decision of Administrative Law Judge Elaine Lau. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's April 21, 2022 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties to the proceeding may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:nd3

Attachment

Decision PROPOSED DECISION OF ALJ LAU (Mailed 3/16/2022)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Compliance Review of Utility Owned Generation Operations, Portfolio Allocation Balancing Account Entries, Energy Resource Recovery Account Entries, Contract Administration, Economic Dispatch of Electric Resources, Utility Owned Generation Fuel Procurement, and Other Activities for the Record Period January 1 Through December 31, 2020 (U39E).

Application 21-03-008

**DECISION RESOLVING PHASE ONE
OF PACIFIC GAS AND ELECTRIC COMPANY'S
ENERGY RESOURCES RECOVERY ACCOUNT COMPLIANCE
APPLICATION FOR THE 2020 RECORD YEAR**

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**DECISION RESOLVING PHASE ONE
OF PACIFIC GAS AND ELECTRIC COMPANY'S
ENERGY RESOURCES RECOVERY ACCOUNT COMPLIANCE
APPLICATION FOR THE 2020 RECORD YEAR**

Summary

This decision finds that Pacific Gas and Electric Company (PG&E) meets the standard for compliance under the Energy Resources Recovery Account (ERRA) regulatory compliance process for the 2020 record year. During the 2020 record year, PG&E complied with all the requirements that the Commission reviews during the ERRA compliance process. Specifically, during the 2020 record year, PG&E (1) prudently managed its utility owned generation facilities; (2) prudently administered its energy resource contracts; and (3) complied with its Bundled Procurement Plan (BPP) in procuring fuel, procuring greenhouse gas (GHG) compliance instruments, procuring and selling resource adequacy, and dispatching energy in a least cost manner. In addition, PG&E has demonstrated that, except for the account adjustments expressly provided in the parties' Settlement Agreement, the entries PG&E recorded in the ERRA and Portfolio Allocation Balancing Account (PABA), as well as other balancing and memorandum accounts reviewed in this Application, are reasonable, appropriate, and accurate.

This decision approves a Settlement Agreement entered by all the parties that actively participated in Phase One of this proceeding. The Settlement Agreement resolves all the contested issues in Phase One. This decision also approves all of PG&E's uncontested Phase One requests to the extent that the requests are not specifically addressed in the Settlement Agreement.

This proceeding remains open to consider the issues in Phase Two.

1. Summary of Application

On March 1, 2021, Pacific Gas and Electric Company (PG&E) submitted Application (A.) 21-03-008, *Application of Pacific Gas and Electric Company for Compliance Review of Utility Owned Generation Operations, Portfolio Allocation Balancing Account Entries, Energy Resource Recovery Account Entries, Contract Administration, Economic Dispatch of Electric Resources, Utility Owned Generation Fuel Procurement, and Other Activities for the Record Period January 1 Through December 31, 2020.*

In this Application, PG&E requests that the Commission find that, during the 2020 record period,

- (1) PG&E complied with its Bundled Procurement Plan (BPP) in the areas of fuel procurement, resource adequacy sales, and least-cost dispatch of electric generation resources;
- (2) PG&E managed its utility-owned generation facilities reasonably;
- (3) costs PG&E recorded in the Portfolio Allocation Balancing Account (PABA), Energy Resources Recovery Account (ERRA), Green Tariff Shared Renewables (GTSR) Memorandum Account, GTSR Balancing Account, Disadvantaged Communities Single Family Solar Affordable Homes Balancing Account, Disadvantaged Communities Green Tariff Balancing Account, and Community Solar Green Tariff Balancing Account were reasonable and consistent with applicable tariffs and Commission directives;
- (4) administrative costs that PG&E incurred as the Central Procurement Entity (CPE) and recorded in the New System Generation Balancing Account were reasonable; and
- (5) PG&E's transactions included in this Application for review were reasonable.¹

¹ See PG&E-1, Chapter 8, Section D and Chapter 9, Section E.

2. Procedural Background

Alliance for Nuclear Responsibility filed a timely Response to the Application on March 18, 2021. A timely protest was also filed on April 19, 2021, by the Central Coast Community Energy, the City and County of San Francisco, East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy Authority, Pioneer Community Energy, San Jose Clean Energy, Silicon Valley Clean Energy Authority, and Sonoma Clean Power (collectively, the Joint Community Choice Aggregators or JCCAs). On April 20, 2021, the Public Advocates Office of the California Public Utilities Commission (Cal Advocates) filed a protest to the Application. PG&E filed a timely Reply to the parties' response and protests on April 28, 2021.

A prehearing conference was held on April 29, 2021.

On June 21, 2021, the assigned Commissioner issued the Scoping Memo and Ruling, which bifurcated the proceeding into two phases. This decision resolves the issues in Phase One. The issues in Phase One are described in detail in the following section.

Phase Two addresses issues related to unrealized sales and revenues resulting from PG&E's Public Safety Power Shutoff events in 2020.

On October 15, 2021, PG&E filed a Joint Motion for Adoption of the Settlement Agreement, on behalf of the settling parties.

3. Issues Before the Commission in Phase One

The issues in Phase One of this proceeding are:

1. Whether PG&E, during the record period, prudently administered and managed the following, in compliance with all applicable rules, regulations and Commission decisions, including but not limited to Standard of Conduct (SOC) No. 4:

- a. Utility-Owned Generation facilities, except for the Diablo Canyon Power Plant Unit 2 main generator outages which will be reviewed in the 2021 ERRA Compliance proceeding; and
 - b. Qualifying Facilities (QF) Contracts and Non-QF Contracts;
2. If not, what adjustments, if any, should be made to account for imprudently managed or administered resources?
3. Whether PG&E achieved least cost dispatch of its energy resources and economically-triggered demand response programs pursuant to SOC 4;
4. Whether the entries recorded in the ERRA and the PABA are reasonable, appropriate, accurate, and in compliance with Commission decisions;
5. Whether PG&E's GHG compliance instrument procurement complied with its BPP;
6. Whether PG&E administered resource adequacy procurement and sales consistent with its BPP;
7. Whether the costs incurred and recorded in the following accounts are reasonable and in compliance with applicable tariffs and Commission directives:
 - a. GTSR Memorandum Account;
 - b. GTSR Balancing Account;
 - c. Disadvantaged Communities Single Family Solar Affordable Homes Balancing Account;
 - d. Disadvantaged Communities Green Tariff Balancing Account;
 - e. Community Solar Green Tariff Balancing Account; and
 - f. Centralized Local Procurement Sub-Account of the New System Generation Balancing Account;
8. Whether the transactions presented in testimony are reasonable and should be approved. These transactions include:

- a. Bilateral transaction to purchase local Resource Adequacy volumes from Southern California Edison to meet PG&E's local Resource Adequacy compliance requirements; and
 - b. Various Contract Amendments;²
9. Whether there are any safety considerations raised by this application.

In addition, this decision considers issues raised by the findings of PG&E's recent internal audit of the PABA.

4. Standard of Review

The Commission evaluates this Application under the following standards: (1) whether PG&E meets the standard for compliance under the ERRA regulatory compliance process; and (2) whether the Settlement Agreement proposed by the parties meets the standard for approval under Rule 12.1 of the Rules of Practice and Procedure (Rules).

4.1. ERRA Compliance Review

The ERRA, authorized by Public Utilities (Pub. Util.) Code Section 454.5(d) and Commission Decision (D.) 02-10-062, allows regulated energy utilities to recover power procurement costs for fuel and purchased power not already authorized to be recovered in rates. This balancing account tracks "the differences between recorded revenues and costs incurred pursuant to an approved procurement plan" and is reviewed by the Commission.³

The ERRA regulatory process includes an annual compliance proceeding and an annual forecast proceeding. In the ERRA compliance proceeding, the Commission is required to perform a compliance review to consider whether a

² PG&E is requesting approval for a list of contract amendments. *See* PG&E-1, Chapter 9, Section E.

³ Pub. Util. Code § 454.5(d)(3).

utility has complied with all applicable rules, regulations, opinions, and laws in implementing the utility's most recently approved procurement plan, administering its energy resource contracts, and managing its utility owned generation.⁴ As part of the ERRA compliance reviews, the Commission also considers whether the utility has prudently administered its contracts and generation resources and dispatched energy in a least cost manner in accordance with SOC 4.⁵ SOC 4 provides: "The utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner."⁶ Prudent contract administration includes administration of all contracts within the terms and conditions of those contracts and the responsibility to dispose of economic long power and to purchase economic short power in a manner that minimizes ratepayer costs. Least Cost Dispatch means the most cost-effective mix of total resources is used, thereby minimizing the cost of delivering electric services. In addition, in ERRA compliance reviews, the Commission also considers whether entries the utility recorded in the ERRA and PABA are reasonable, appropriate, accurate, and in compliance with Commission decisions.⁷

As the Applicant, PG&E has the burden to affirmatively establish by a preponderance of the evidence that it is entitled to the Commission's actions and relief that it is requesting.

⁴ Pub. Util. Code § 454.5(d)(2).

⁵ See D.15-05-006, Ordering Paragraph (OP) 1 and OP 3.

⁶ D.02-10-062 at 74 (Conclusion of Law 11).

⁷ D.18-10-019, OP 8.

4.2. Reviewing Settlement Agreements

With respect to any settlement agreement, pursuant to Rule 12.1, we will only approve settlements that are reasonable in light of the record as a whole, consistent with the law, and in the public interest. And, in order to consider the proposed Settlement Agreement in this proceeding as being in the public interest, we must be convinced that the parties have a sound and thorough understanding of the Application and all of the underlying assumptions and data included in the record. This level of understanding of the Application and development of an adequate record is necessary to meet our requirements for considering any settlement.

5. Settlement Agreement

PG&E, Cal Advocates, and the JCCAs (Settling Parties) entered into a Settlement Agreement which resolves all the disputed issues in Phase One. In Phase One, Cal Advocates and the JCCAs are the only intervening parties that submitted direct testimony. In other words, the Settlement Agreement is between all the active parties in Phase One.

The Settlement Agreement is unopposed.

The Settlement Agreement consists of seven major sections. Each section resolves an issue raised by an active party. We discuss each issue in detail in the section below (Settled Issues).

6. Settled Issues

6.1. California Independent System Operator (CAISO) Penalties

The first section of the Settlement Agreement resolves the JCCAs' objection to PG&E's cost recovery of penalties from CAISO sanctions.

The JCCAs argued that PG&E should be disallowed from recovering penalties PG&E incurred for not complying with CAISO Tariff Section 37 Rules

of Conduct. The JCCAs recommended a reduction of \$43,000 to the PABA and \$204,000 to the ERRA to reverse the CAISO penalties PG&E recorded in these accounts during the 2020 record period.

In the Settlement Agreement, PG&E agrees to a disallowance of \$247,000 in CAISO penalties. PG&E also agrees that it will not recover from ratepayers CAISO penalties resulting from missing deadlines for grid modeling or telemetry communication associated with PG&E utility-owned generation. The JCCAs agree that CAISO sanctions associated with Purchase Power Agreements were caused by other parties and should not be disallowed.

6.2. PABA Adjustments Related to GTSR Payments

The second section addresses the issue the JCCAs raised regarding entries to the PABA for costs associated with the GTSR tariff.

The JCCAs proposed a \$5 million reduction to PABA to properly adjust for the Power Charge Indifference Adjustment (PCIA) revenue PG&E received from customers taking service on the GTSR tariff. The JCCAs also requested that PG&E update its accounting procedures so that GTSR-related PCIA costs are credited appropriately to the PABA in the future.

In the Settlement Agreement, PG&E agrees to the JCCAs' suggested adjustments and had already proposed these adjustments in an advice letter it filed with the Commission.⁸

6.3. CPE Costs

In the third section, PG&E agrees to support reviewing its transactions as the CPE in the scope of future ERRA compliance proceedings and to include

⁸ See PG&E's Advice Letter 6297-E.

additional testimony on this subject in future ERRA compliance proceedings. PG&E's agreement resolves the JCCAs' concerns.

6.4. Diablo Canyon Seismic Study Balancing Account (DCSSBA) Costs in the PABA

The fourth section resolves the concerns the JCCAs raised regarding the entries to the PABA and the ERRA for costs recorded in the DCSBBA. The JCCAs stated that costs from the DCSSBA should have been transferred to the ERRA and not the PABA. They requested that PG&E correct the error by transferring \$9.3 million from the PABA to the ERRA.

In the Settlement Agreement, the parties agree to transfer from PABA to ERRA \$50,921 for 2014 DCSSBA recorded costs and \$4.7 million for 2017 DCSSBA recorded costs, but to retain in the PABA the \$4.6 million of 2018 DCSSBA recorded costs.

6.5. Contract Administration Activities/Crockett Contract

The fifth section resolves the disputes between Cal Advocates and PG&E regarding the appropriate proceeding to review the amended contract PG&E signed with the Crockett Cogeneration Company (Crockett).

Cal Advocates recommended that the Crockett amendment be reviewed in the 2021 ERRA Compliance filing, because the contract terms include activities in January and February 2021 which are within the review period of the next ERRA Compliance filing. In rebuttal testimony, PG&E argued that the terms of the second amendment to the Crockett contract should be considered in this proceeding because the contract terms were executed during the 2020 record period.

In the Settlement Agreement, Cal Advocates agrees that the terms of the Crockett amendment be reviewed in this proceeding, while PG&E agrees that the

deliveries and accounting activities associated with the Crockett amendment be reviewed in the 2021 ERRA Compliance proceeding.

6.6. Pit 5, Unit 2 Hydroelectric Plant Outage

In the sixth section, PG&E agrees to Cal Advocates' requests to report corrective actions PG&E is taking in response to the outage at its Pit 5, Unit 2 powerhouse. On February 11, 2020, PG&E had an outage in its Pit 5, Unit 2 hydroelectric plant. The outage was the result of errors committed by PG&E personnel. PG&E instituted a corrective action plan to prevent the recurrence of the situation. At the time of the filing, PG&E has completed some but not all the of actions in the plan.

Cal Advocates requested that PG&E provide a progress report of the remaining uncompleted corrective actions in a future ERRA compliance filing. Since PG&E did not incur any replacement power costs during the outages, Cal Advocates did not recommend any disallowances for the outage.

PG&E agrees to Cal Advocates' reporting requests in the Settlement Agreement.

6.7. Workshop for Renewable and Energy Storage Resource Reporting Requirements

The seventh section of the Settlement Agreement is the parties' agreement to a request of Cal Advocates that the Commission hold a workshop with all three investor-owned utilities to develop and standardize renewable and energy storage resource reporting requirements.

7. Discussion

7.1. PG&E is in Compliance With ERRA Requirements

After reviewing the parties' extensive testimony, workpapers, briefs, and the Settlement Agreement, we find that PG&E has demonstrated, for the 2020

record year, it complied with all the requirements that are reviewed during the ERRA compliance proceedings. We find that PG&E meets the standard for compliance under the ERRA regulatory compliance process.

Specifically, PG&E demonstrated that it (1) prudently managed its utility owned generation facilities; (2) prudently administered its energy resource contracts; (3) complied with its BPP in procuring fuel, procuring GHG compliance instruments, procuring and selling resource adequacy, and dispatching energy in a least cost manner. PG&E demonstrated that, except for the account adjustments expressly provided in the Settlement Agreement, the entries PG&E recorded in the ERRA and PABA, as well as other balancing and memorandum accounts reviewed in this Application, are reasonable, appropriate, and accurate.

7.2. The Settlement Agreement Is Reasonable

We approve the Settlement Agreement because we find that the Settlement Agreement is reasonable in light of the whole record, consistent with law and prior Commission decisions, and in the public interest.

7.2.1. The Settlement Agreement is Reasonable in Light of the Record as a Whole

The Settlement Agreement settled all issues of dispute between the parties that actively participated in Phase One of this proceeding: PG&E, Cal Advocates, and the JCCAs. The Settling Parties are knowledgeable and experienced in the issues examined. They are fairly representative of the interests that would be affected in this phase of the proceeding. Cal Advocates “represent and advocate on behalf of the interests of public utility customers...to obtain the lowest possible rate for service consistent with reliable and safe service levels.”

The JCCAs represent the interests of community-based energy suppliers serving PG&E's unbundled customers.⁹

The Settlement Agreement reflects reasonable compromises between the parties' initial positions on issues that they originally disputed. These compromises reflect a reasonable balance of the various interests affected in this proceeding and were based on the substantial record in this proceeding.

The Settling Parties reached agreement after the submission of lengthy testimony, extensive discovery, careful analysis of issues, and settlement discussions. The extensive evidentiary record contains sufficient information for the Commission to determine the reasonableness of the Settlement Agreement. PG&E provided extensive testimony on its least cost dispatch and demand response operations, management of its utility owned generation, costs recorded in the various balancing and memorandum accounts, fuel procurement activities, GHG compliance instrument procurement activities, procurement and sales of Resource Adequacy products, and contract administration practices. Cal Advocates and the JCCAs, after extensive review and audit of the information PG&E presented in testimony and discovery responses, have agreed that the settled terms are reasonable.

For the above reasons, we find that the Settlement Agreement is reasonable in light of the whole record.

⁹ Joint Motion of PG&E, Cal Advocates, and the JCCAs for Adoption of Settlement Agreement at 10.

7.2.2. The Settlement Agreement Is Consistent with Law and Prior Commission Decisions

We find that the terms of the Settlement Agreement are consistent with statute and prior Commission decisions.

The statutes applicable to this proceeding include Pub. Util. Code Sections 451 and 454. Section 451 states that “all charges demanded or received by any public utility... shall be just and reasonable.” Section 454 authorizes the Commission to review the utility’s compliance with approved procurement plans and administration of procurement-related contracts and to review the utility’s power procurement balancing accounts. Section 454 also prevents a change in public utility rates unless the Commission finds such an increase justified.

The extensive record developed in this proceeding, including the parties’ testimony, workpapers, and discovery responses, has provided sufficient showing that the rate changes resulting from the settled terms are just and reasonable and are consistent with Pub. Util. Code Sections 451 and 454.

Even though the Settlement Agreement contains prospective terms, particularly the provision for PG&E to provide additional information in future ERRA compliance proceedings, the Commission has approved prospective terms in PG&E’s past ERRA Compliance proceedings. Thus, the prospective terms contained in the Settlement Agreement are consistent with prior Commission precedent and comply with all applicable statutes.

In addition, the Settlement Agreement contains sufficient information for the Commission to discharge its future regulatory obligations with respect to the parties and their interests and obligations.

7.2.3. The Settlement Agreement Is In the Public Interest

We find that the Settlement Agreement is in the public interest. The Settlement Agreement allows PG&E to recover power procurement costs at just and reasonable rates that are sufficient for PG&E to maintain safe and reliable service.

Through resolving the disputed issues in this proceeding, the Settlement Agreement allows the parties to avoid extensive litigation and conserves the resources of the Commission and the parties. Because settlements conserve Commission resource and the resources of the parties, the Commission has historically favored settlements as a means of resolving contested issues if they are reasonable in light of the whole record.

7.3. Uncontested Issues

The Settling Parties do not oppose the remaining Phase One proposals and ask that the Commission approve those proposals as presented.¹⁰ PG&E provided extensive testimony on the relief it is requesting in Phase One, including but not limited to its least cost dispatch and demand response operations, management of its utility owned generation, costs recorded in the various balancing and memorandum accounts, fuel procurement activities, GHG compliance instrument procurement activities, procurement and sales of Resource Adequacy products, and contract administration practices. The Settling Parties, Cal Advocates and the JCCAs, reviewed and audited the information PG&E presented in testimony and discovery responses extensively and did not contest these issues.

¹⁰ Joint Motion for Adoption of the Settlement Agreement at 2.

The extensive evidentiary record contains sufficient information demonstrating that PG&E's uncontested requests are reasonable and consistent with Pub. Util. Code Sections 451 and 454. Therefore, PG&E's uncontested requests in Phase One are granted.

7.4. 2020 Internal Audit of PABA

The Settlement Agreement addresses the disputed Phase One issues specifically identified in the Scoping Memo, but the JCCAs raised an additional concern regarding an audit PG&E's Internal Audit department performed on the PABA during the 2020 record period. The objective and scope of the audit was to evaluate the processes and controls PG&E has used to record costs and revenues to the PABA. The audit report concluded that PG&E's processes and controls were "Not Adequate" and described a series of recording errors in the PABA.¹¹

In testimony, the JCCAs requested that the Commission require PG&E to demonstrate that all identified systemic process and control issues have been corrected, report whether it has taken all the steps needed to remedy each of the internal audit report findings, and ensure it has adequate processes and controls in place to reduce the risk of accounting errors in the PABA.

In rebuttal testimony, PG&E agrees to provide in its 2021 ERRAs Compliance proceeding (1) testimony on the actions it has taken to address the findings from the Internal Audit report on the PABA; and (2) an internal audit closure document that examines the implementation of the management action plan PG&E drafted to address the audit findings.

We find that the agreement PG&E provided in its rebuttal testimony is not sufficient. We therefore order PG&E to include the following in their 2021 ERRAs

¹¹ JCCA-1 at 23.

Compliance proceeding: (1) testimony on the actions PG&E has taken to address the deficiencies reported in its Internal Audit Report on the PABA; (2) an internal audit closure document with details of PG&E's implementation of any action plans to address the deficiencies reported in the Internal Audit Report; and (3) testimony from its Chief Regulatory Officer on the actions PG&E will take or has taken to ensure that there is proper accounting and recording of entries in the various balancing and memorandum accounts reviewed in the ERRA compliance proceedings, including, but not limited to, the PABA.

8. Conclusion

We find that, for the 2020 record year, PG&E meets the standard for compliance under the ERRA regulatory compliance process. PG&E complied with all the requirements that are reviewed in ERRA compliance proceedings.

We find that the proposed Settlement Agreement is reasonable and adopt it. The Settlement Agreement satisfies the requirements in Rule 12.1. The Settlement Agreement is reasonable in light of the whole record, consistent with law and prior Commission decisions, and is in the public interest.

We find that PG&E's uncontested requests, except as specified in the Settlement Agreement, are reasonable and approve them. We also direct PG&E to include information related to the internal audit of the PABA in its 2021 ERRA compliance filing.

Phase Two of this proceeding will address issues related to unrealized sales and revenues resulting from PG&E's Public Safety Power Shutoff events in 2020.

9. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) Elaine Lau in this matter was mailed to the parties in accordance with Pub. Util. Section 311

and comments were allowed under Rule 14.3. Comments were filed on _____, and reply comments were filed on _____ by _____.

10. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Elaine Lau is the assigned ALJ in this proceeding.

Findings of Fact

1. For the 2020 record year, PG&E (1) prudently managed its utility owned generation facilities; (2) prudently administered its energy resource contracts; (3) complied with its BPP in procuring fuel, procuring GHG compliance instruments, procuring and selling resource adequacy, and dispatching energy in a least cost manner.

2. Except for the account adjustments expressly provided in the Settlement Agreement, the entries that PG&E recorded in the ERRRA and PABA, as well as other balancing and memorandum accounts reviewed in this Application, are reasonable, appropriate, and accurate.

3. Article 12 of the Commission's Rules of Practice and Procedure addresses settlements. Rule 12.1(d) provides that, prior to approval, the Commission must find a settlement "reasonable in light of the whole record, consistent with the law, and in the public interest."

4. The active parties in Phase One entered into a Settlement Agreement. These parties are PG&E, Cal Advocates, and JCCAs.

5. The Settlement Agreement resolves all the disputed issues in Phase One of this proceeding.

6. The Settlement Agreement is unopposed.

7. The Settling Parties are knowledgeable, experienced in the issues examined, and are fairly representative of the interests affected in Phase One of this proceeding.

8. The Settling Parties reached agreement after submission of lengthy testimony, extensive discovery, careful analysis of issues, and settlement discussions.

9. The extensive evidentiary record developed in this proceeding contains sufficient information for the Commission to determine the reasonableness of the Settlement Agreement.

10. The Settlement Agreement demonstrates reasonable compromises between the Settling Parties' initial positions on the issues considered in the Settlement Agreement.

11. The extensive evidentiary record developed in this proceeding has provided sufficient showing that the rate changes resulting from the settled terms are just and reasonable and are consistent with Pub. Util. Code Sections 451 and 454.

12. The Settlement Agreement contains prospective terms, particularly the provision for PG&E to provide additional information in future ERRA compliance proceedings.

13. The Commission has approved prospective terms in PG&E's past ERRA Compliance proceedings.

14. The Settlement Agreement's prospective terms are consistent with prior Commission precedent and comply with all applicable statutes.

15. The Settlement Agreement allows PG&E to recover power procurement costs at just and reasonable rates that are sufficient for PG&E to maintain safe and reliable service.

16. The Settlement Agreement avoids extensive litigation and conserves the resources of the Commission and the parties through resolving all the disputed issues in the proceeding.

17. The remaining issues raised in Phase One are uncontested.

18. The Settling Parties request that the Commission approve PG&E's uncontested requests that are not otherwise addressed by the Settlement Agreement.

19. The extensive evidentiary record contains sufficient information demonstrating that PG&E's uncontested requests are reasonable and consistent with Pub. Util. Code Sections 451 and 454.

20. PG&E's Internal Audit department conducted an audit on the PABA during the 2020 record period and concluded that PG&E's processes and controls were "Not Adequate" and found a series of recording errors in the PABA.

21. To address the concerns raised by the 2020 PABA internal audit report, PG&E should provide additional testimony in its 2021 ERRR compliance filing.

Conclusions of Law

1. Phase One of PG&E's ERRR compliance application for the 2020 record year should be approved.

2. For the 2020 record year, PG&E meets the standard for compliance under the ERRR regulatory compliance process.

3. During the 2020 record year, PG&E complied with all the requirements that are reviewed during the ERRR compliance proceedings.

4. The Settlement Agreement is reasonable in light of the whole record.

5. The Settlement Agreement is consistent with law and prior Commission decisions.

6. The Settlement Agreement is in the public interest.

7. The Settlement Agreement satisfies the requirements of Rule 12.1 and should be approved.

8. The Settlement Agreement is reasonable and should be adopted.

9. The uncontested requests PG&E is seeking in Phase One, except as specified in the Settlement Agreement, are reasonable and should be approved.

10. It is reasonable for PG&E to include additional testimony in its 2021 ERRA compliance filing to describe how PG&E is addressing the deficiencies its Internal Audit report found on the PABA.

ORDER

IT IS ORDERED that:

1. *The Settlement Agreement among Pacific Gas and Electric Company (U39E), the Public Advocates Office at the California Public Utilities Commission, Central Coast Community Energy, the City and County of San Francisco, East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy Authority, Pioneer Community Energy, San Jose Clean Energy, Silicon Valley Clean Energy Authority, and Sonoma Clean Power*, attached as Appendix A to this decision, is approved.

2. Application 21-03-008, consistent with the terms set forth in *The Settlement Agreement among Pacific Gas and Electric Company (U39E), The Public Advocates Office at the California Public Utilities Commission, Central Coast Community Energy, the City and County of San Francisco, East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy Authority, Pioneer Community Energy, San Jose Clean Energy, Silicon Valley Clean Energy Authority, and Sonoma Clean Power* is approved.

3. Pacific Gas and Electric Company (PG&E) must provide in its 2021 Energy Resources Recovery Account (ERRA) Compliance filing the following:

- a. Testimony describing the actions PG&E has taken or will take to address the deficiencies reported in its 2020 Internal

Audit Report on the Portfolio Allocation Balancing Account;

- b. An internal audit closure document with details of PG&E's implementation of any action plans to address the deficiencies reported in PG&E's 2020 Internal Audit Report; and
- c. Testimony from PG&E's Chief Regulatory Officer on the actions PG&E has taken or will take to ensure that there is proper accounting and recording of entries in the various balancing and memorandum account reviewed in the ERRR compliance proceedings.

4. Within 60 days of the issuance of this decision, Pacific Gas and Electric Company shall file a Tier 1 advice letter with Energy Division to implement this decision, including the terms of *The Settlement Agreement among Pacific Gas and Electric Company (U39E), The Public Advocates Office at the California Public Utilities Commission, Central Coast Community Energy, the City and County of San Francisco, East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy Authority, Pioneer Community Energy, San Jose Clean Energy, Silicon Valley Clean Energy Authority, and Sonoma Clean Power.*

5. Phase One of Application 21-03-008 is concluded.

6. Application 21-03-008 remains open to consider issues in Phase Two.

This order is effective today.

Dated _____, at San Francisco, California.